

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

**FOR
AGENDA**

EBS/83/230

CONFIDENTIAL

October 26, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Ecuador - Staff Report for Review Under Stand-By Arrangement

Attached for consideration by the Executive Directors is the staff report for a review under the stand-by arrangement for Ecuador. A draft decision appears on pages 20 and 21.

It is proposed to bring this subject, together with Ecuador's request for a purchase under the compensatory financing facility (EBS/83/229, 10/26/83), to the agenda of the Executive Board for discussion on Wednesday, November 23, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Bonangelino, ext. (5)7148.

Att: (1)

INTERNATIONAL MONETARY FUND

ECUADOR

Staff Report for Review Under Stand-By Arrangement

Prepared by the Staff Representatives for the
Stand-By Review with Ecuador

Approved by S. T. Beza and Manuel Guitian

October 26, 1983

I. Introduction

On June 1, 1983, the Executive Board approved a one-year stand-by arrangement for Ecuador (EBS/83/91) in an amount equivalent to SDR 157.5 million (150 percent of Ecuador's quota of SDR 105 million). The Executive Board's approval of the arrangement was subject to satisfactory arrangements being made between Ecuador and a group of commercial banks on the rescheduling of part of Ecuador's public and private external debt and on the granting of a new medium-term loan to Ecuador's public sector. These conditions were met and the program became effective on July 25, 1983. Ecuador has made two purchases of SDR 39.4 million each so far under the arrangement (Table 1).

In the letter requesting the stand-by arrangement, the Ecuadoran authorities stated that they would review with the Fund before October 18, 1983 the progress made in the implementation of the financial program for 1983 and define policy targets and ceilings for the period of the stand-by arrangement after December 31, 1983. The discussions for the review were held in Quito in the period September 5-19, 1983.^{1/} Representatives for Ecuador in the discussions included the Minister of Finance, the Minister of Labor, the President of the Monetary Board, the General Manager of the Central Bank, and other senior officials from the Ministry of Finance and the Central Bank. During these discussions it was not possible to establish the targets and ceilings for that portion of the program falling in 1984 because the budgetary process was in the initial stages and the authorities were still framing their policies for 1984. In the attached letter dated October 25, 1983 the General Manager of the Central Bank and the Minister of Finance of Ecuador request that the review envisaged in paragraph 15 of their letter of March 24, 1983 be completed by the Executive Board on the basis of Ecuador's performance thus far under the program and that another mission visit Quito later this year for the purpose of establishing targets and ceilings for 1984.

^{1/} The staff team consisted of Messrs. Bonangelino (Head-WHD), Hoelscher (WHD), Lee (ETR), Lizondo (WHD), and Mrs. McCuskey (Secretary-WHD).

Table 1. Ecuador: Schedule of Proposed Purchases
and Repurchases, 1983-84

(In millions of SDRs)

	July 1983- Oct. 1983	Nov. 1983- Jan. 1984	Feb. 1984- July 1984
<u>Purchases</u>			
Stand-by arrangement	78.75 ^{1/}	39.38	39.37
Ordinary resources	(44.14)	(17.90)	(17.90)
Borrowed resources	(34.61)	(21.48)	(21.47)
<u>Repurchases</u>			
Stand-by arrangement	--	--	--
<u>Net purchases</u>	<u>78.75</u>	<u>39.38</u>	<u>39.37</u>
<u>Total Fund holdings of</u>			
<u>Ecuadoran sucres</u>			
<u>(cumulative)</u>			
In millions of SDRs	183.78	223.16	262.53
As percent of quota	175.03	212.53	250.03

Source: IMF, Treasurer's Department.

^{1/} Actual transactions.

II. Background and Performance Under the Stand-By Arrangement

Following the sharp increase in petroleum production in 1971 and the subsequent jump in world petroleum prices, Ecuador's economy grew rapidly and the balance of payments improved significantly. Real GDP expanded at an annual average rate of 7 1/2 percent in the period 1972-80, while exports more than doubled and net official international reserves increased from US\$129 million to US\$856 million over the same period. However, these developments masked a poor performance of non-petroleum exports and a rapid growth of imports resulting in large part from the growing real appreciation of Ecuador's currency (fixed at S/. 25 per U.S. dollar in 1971).

Economic conditions began to weaken after 1980. The growth of real GDP decelerated from 5 percent in 1980 to 1 1/2 percent in 1982, and inflation accelerated from 13 1/2 percent in 1980 to nearly 25 percent in 1982. The balance of payments also deteriorated significantly, registering a deficit of almost US\$300 million in 1981, the first in four

years, and a deficit of US\$460 million in 1982. In addition, in 1982 there was an accumulation of external payments arrears of US\$211 million.^{1/}

Adverse external developments and the expansionary demand management policies followed by the authorities in an attempt to offset the slowdown in activity were the major factors behind the weakening of the country's economic situation. The overall public sector deficit rose from 4 1/2 percent of GDP in 1980 to 7 percent of GDP in 1982; in addition, during this period the public sector supported large increases in bank lending by borrowing abroad in excess of its financing needs and depositing excess funds in the banking system. The external sector was affected by a significant deterioration of the terms of trade in 1981 and 1982. At the same time, the strong public sector borrowing and increases in world interest rates raised considerably Ecuador's debt service burden in 1982. These developments led to a depreciation of the sucre in the free market from S/. 33 per U.S. dollar to S/. 43 per U.S. dollar during the first four months of 1982.

In an effort to arrest the balance of payments deterioration, the authorities devalued the sucre in the official exchange market in May 1982 from S/. 25 per U.S. dollar to S/. 33 per U.S. dollar. In the second half of the year they initiated negotiations with foreign commercial banks to reschedule part of Ecuador's public and private external debt, and, in November 1982, the authorities prohibited a long list of imports. Because of continuing capital flight, the exchange rate in the free market moved to almost S/. 65 per U.S. dollar by December 1982. In the second half of last year the authorities adopted a series of measures aimed at improving the financial position of the public sector. Gasoline prices were doubled, a major wheat subsidy was eliminated, and a number of new taxes were approved by Congress. In spite of these

^{1/} At the time when the program was negotiated, the level of arrears as of December 31, 1982 was estimated to be US\$75 million. In addition, it was also estimated that importers had made payments for imports in foreign exchange obtained through the free market in an amount of US\$175 million, for which they were entitled to obtain foreign exchange at the official rate. The obligation of the Central Bank vis-a-vis importers who had made their payments through the free market was intended to be canceled with bonds denominated in sucres for the amount equivalent to the exchange difference. However, such operation, although approved by the Monetary Board, never took place because it was not acceptable to the interested parties who insisted on receiving the foreign exchange. According to the authorities, there was no legal basis to enforce such proposal and the Central Bank remains legally obliged to deliver the foreign exchange. Thus, the revised amount of arrears as of December 1982 (US\$211 million) represents the Central Bank's total obligations to deliver foreign exchange, regardless of whether or not payments abroad may have been made through the free market.

measures, the performance of the public sector continued to deteriorate, and for the first time in more than five years the public sector resorted to central bank credit to finance its deficit.

In early 1983, the Ecuadoran authorities adopted a wide-ranging stabilization program aimed at preventing further economic and financial deterioration. The Government's fiscal policy was designed to achieve a sharp reduction in the overall public sector deficit. The authorities implemented a series of measures to increase public sector revenues, including (1) the elimination of tax exemption certificates for all exports except hemp, (2) the introduction of an import surcharge, (3) a reduction in import duty exemptions, (4) increases in the prices of petroleum products, and (5) increases in electricity and telephone rates. In addition, measures were adopted to control the growth of public sector expenditures. In an effort to strengthen the external sector, in March 1983 the authorities further devalued the sucre in the official market to S/. 42 per U.S. dollar and adopted a crawling peg exchange rate system. The rate of depreciation was initially set at S/. 0.04 per U.S. dollar for each business day.

The Fund supported Ecuador's adjustment program with the one-year stand-by arrangement approved by the Executive Board on June 1, 1983. A key objective of the arrangement is to limit the loss of net international reserves of the Central Bank during 1983 to no more than US\$100 million. The program includes limits on the net domestic assets of the Central Bank, on the Central Bank's net credit to the public sector, and on the stock of the public sector's external debt. With regard to the exchange system, the program envisioned an acceleration in the rate of depreciation of the sucre in the official market and an enlargement of the scope of the free exchange market in order to reduce the spread between the exchange rates in the official and free markets. The authorities also agreed to eliminate all external payments arrears by November 30, 1983.

Ecuador has complied with all quantitative performance criteria under the stand-by arrangement as of September 30, 1983. However, there has been a considerable accumulation of external payments arrears during 1983, and no significant progress has been made in narrowing the spread between the official and free market exchange rates. As of September 30, 1983 the ceiling on net domestic assets of the Central Bank was observed with a margin of S/. 1.5 billion, and the ceiling on central bank net credit to the public sector was observed with a margin of S/. 6.9 billion. Net international reserves were above their target by an amount equivalent to US\$24 million and there was a margin of US\$526 million under the external debt limit (Table 2).

Table 2. Ecuador: Performance under Stand-by Arrangement

	1982 Dec.	Mar.	1983 June 1/	Sept.	Dec.
(In billions of sucres)					
<u>Net domestic assets</u>					
Ceiling	...	...	17.5	20.0	21.0
Actual	12.1	14.6	15.0	18.5	...
Margin under ceiling (excess -)	...	...	2.5	1.5	...
<u>Net credit to public sector</u>					
Ceiling	...	...	-16.5	-13.5	-6.0 ^{2/}
Actual	-16.9	-9.7	-15.7	-20.4	...
Margin under ceiling (excess -)	...	...	-0.8	6.9	...
(In millions of U.S. dollars)					
<u>Net international reserves</u>					
Target	...	...	104	84	110
Actual	210	145	163	108	...
Margin above target (deficiency -)	...	...	59	24	...
<u>Public sector external debt</u>					
Up to twelve years:					
Ceiling ^{2/}	...	...	4,620	4,620	4,620
Actual	4,020	4,012	4,028	4,094	...
Margin under ceiling (excess -)	...	...	592	526	...
Up to one year:					
Ceiling ^{2/}	...	...	1,025	1,025	1,025
Actual	1,007	1,015	1,010	1,025	...
Margin under ceiling (excess -)	...	...	15	--	...

Source: Central Bank of Ecuador.

1/ Ceilings and targets are only indicative since the program became effective on July 25, 1983.

^{2/} Modified ceilings.

III. Report on the Discussions

The mission's discussions with the Ecuadoran authorities centered on a review of the progress achieved thus far in the implementation of the stand-by program and on the policies needed to assure compliance with the program in the period ahead. The authorities were generally pleased with the progress made so far in the implementation of the program and felt confident that they would be able to meet the targets and ceilings at the end of 1983. They noted, however, that performance under the program had been made more difficult by the impact of severe floods in the coastal region and by the shortfall of capital inflows from the level originally projected.

The authorities stated that damage caused by the floods was considerably greater than had been initially estimated because the rainy season had lasted much longer than expected. The floods caused extensive damage to infrastructure--mainly roads and bridges--and ruined a considerable portion of the production of basic grains and exportable agricultural products. The result was an adverse effect on economic growth and an acceleration of inflation. In addition, it became necessary to import food products in an amount equivalent to about US\$115 million in 1983. The 12 month rate of inflation--as measured by the consumer price index--rose from 24 percent as of December 1982 to 63 percent as of September 1983, and the rate of increase of food prices rose from 26 percent to over 100 percent in these same periods. The authorities believe that the situation is now returning to normal. The monthly rate of inflation has fallen steadily since May--from 7.0 percent in that month to 3.9 percent in September--as the monthly rate of increase in food prices has been reduced by half. An average inflation rate of about 50 percent (around 30 percent if the food component of the index is excluded) is currently being estimated for 1983, which compares with an average inflation rate of 35 percent originally projected in the program. Real GDP was expected to register zero growth in 1983 and is now estimated to decline by about 1 1/2 percent.

1. Fiscal policy

Public sector revenues and outlays in 1983 are both likely to be somewhat higher than earlier estimated, and the public sector deficit is expected to be roughly the same as had been originally projected. In relation to GDP, however, the deficit is expected to be somewhat lower than had been estimated because nominal GDP will be higher in reflection of a higher rate of inflation. The revised estimates indicate that the overall public sector deficit may be around 3 1/2 percent of GDP, compared with the 4.2 percent of GDP envisaged in the program (Table 3).

Overall public sector expenditures are expected to rise by less than 30 percent, which would represent a decline in real terms. The authorities have been pursuing a tight expenditure policy including wage and salary restraint. All expenditures not considered essential have been severely limited and in most cases where the authorities have

Table 3. Ecuador: Summary of Public Sector Operations

	1983			1983		
	Rev. 1982	Stand-By Arrangement	Rev.	Rev. 1982	Stand-By Arrangement	Rev.
	(In billions of sucres)			(In percent of GDP)		
<u>Revenues</u>	<u>102.5</u>	<u>145.2</u>	<u>147.2</u>	<u>25.1</u>	<u>28.3</u>	<u>24.9</u>
<u>Expenditures</u>	<u>130.3</u>	<u>166.7</u>	<u>167.9</u>	<u>31.9</u>	<u>32.5</u>	<u>28.4</u>
<u>Deficit</u>	<u>-27.8</u>	<u>-21.5</u>	<u>-20.7</u>	<u>-6.8</u>	<u>-4.2</u>	<u>-3.5</u>
<u>External financing</u>	<u>18.7</u>	<u>12.3</u>	<u>9.7</u>	<u>4.6</u>	<u>2.4</u>	<u>1.6</u>
Use of loans	24.2	18.7	14.8	5.9	3.6	2.5
Amortizations	-19.8	-6.4	-5.1	-4.8	-1.2	-0.9
Oil credits	14.3	--	--	3.5	--	--
<u>Internal financing</u>	<u>9.1</u>	<u>9.2</u>	<u>11.0</u>	<u>2.2</u>	<u>1.8</u>	<u>1.9</u>
Central Bank	7.9	6.0	10.5	1.9	1.2	1.8
Other banks	0.6	0.5	0.5	0.1	0.1	0.1
Other	0.6	2.7	--	0.2	0.5	--

Sources: Central Bank of Ecuador; and Fund staff estimates.

found it necessary to undertake additional expenditures--for example, emergency expenditures related to the floods--offsetting revenue measures have been adopted. Public sector revenues are rising at a slightly faster pace than had been estimated under the program, reflecting a sharper than expected increase in petroleum exports arising from the production of new wells. Nonetheless, in relation to GDP, revenues are likely to be somewhat lower this year than had been estimated earlier because of the higher than expected rate of inflation and the low elasticity of traditional taxes in Ecuador.

Even though the projected public sector deficit is in line with the stand-by program, the public sector has used considerably less net central bank financing than programmed through the first nine months of the year. This result can be traced to an increase in the floating debt (unpaid bills) as well as to the postponement of capital expenditures by the public enterprises until the second half of 1983. It is the intention of the authorities to reduce the floating debt during the remainder of the year, and thus the public sector financing needs are expected to be in line with program estimates for the year as a whole. It should be noted that the program had assumed that the public sector would obtain a direct loan of US\$100 million from foreign commercial banks. This loan will now be channeled through the Central Bank, however, and, to maintain the original financing of the public sector under the program, the authorities have requested that the ceiling on central bank net credit to the public sector in the last quarter of 1983 be increased by S/. 4.5 billion (equivalent to US\$100 million).

2. Monetary policy

Monetary data for the first nine months of the year indicate that compliance with the ceiling on net domestic assets of the Central Bank has been made possible by the over-performance of the public sector. Central bank net credit to banks and to the private sector was higher than had been estimated as were net unclassified assets. The large increase in central bank net unclassified assets--S/. 7 billion in the period June-July 1983--reflected both the revaluation of U.S. dollar deposits held by the National Development Bank (BEDE) at the Central Bank and exchange losses being incurred by the Central Bank. Revaluation of BEDE's accounts resulted from an agreement between BEDE and the Monetary Board to convert BEDE's dollar deposits at the Central Bank into sucres at S/. 42 per U.S. dollar rather than S/. 33 per U.S. dollar. The conversion had been made at S/. 33 per U.S. dollar in March 1983--the same month that the official exchange rate was changed from S/. 33 per U.S. dollar to S/. 42 per U.S. dollar--but discussions concerning the appropriate rate for the conversion continued until July 1983 when the Monetary Board agreed to use the higher exchange rate. Exchange losses incurred by the Central Bank arose from the change in the exchange rate between the time sucres were deposited in the Central Bank for foreign exchange transactions and the time such exchange was delivered to the private sector.

The staff has estimated that in order to be able to comply with the ceiling on central bank net domestic assets and the net international reserve target at the end of 1983, the Central Bank will have to reduce outstanding net credit to banks and to the private sector by a significant amount in the last quarter of the year, should the public sector make full use of its credit entitlement under the program (Table 4). The projections for the whole banking system indicate that this would be consistent with an increase in credit to the private sector of about 17 percent during 1983. Such a growth in credit to the private sector would be approximately the same as originally estimated in the program, but it would involve a substantial reduction in real terms because of the higher rate of inflation than originally projected (Table 5).

The authorities confirmed their intention to adjust credit to banks and to the private sector as may be needed in order to ensure continued compliance with the ceiling on net domestic assets of the Central Bank. They felt, however, that they might be able to keep central bank net credit to the public sector somewhat below its ceiling, which would reduce the downward adjustment needed in other central bank credit.

In a move to stimulate the growth of financial savings and to strengthen the balance of payments, effective October 18, 1983 the authorities have raised domestic interest rates by 3 percentage points and have further simplified the structure of interest rates by reducing the number of lending rates. Deposit rates, which ranged from 13 percent to 15 percent a year, can now be set freely by the banks with a minimum rate of 16 percent to be observed. The general lending rate has been raised from 16 percent to 19 percent. The authorities consider their decision to raise interest rates to be within the spirit of their commitment to review interest rates periodically with a view to moving toward positive real interest rates. While the authorities recognize that interest rates continue to be negative in real terms, they did not consider it advisable to raise them more abruptly at this time. They expected that the rate of inflation would be coming down in the period ahead and thus interest rates should move up considerably in real terms.

3. External policies

The authorities noted that in the first semester of the year the current account of the balance of payments had been stronger than had been expected. This difference was attributable mainly to a lower than projected level of imports, as exports expanded in line with projections. The opening of new oil-producing regions was a key factor in the increase of exports of petroleum, which more than offset a decline in nonpetroleum exports. For the year as a whole, the current account deficit is expected to be somewhat larger than originally projected, mainly because of higher service payments which to a large extent reflect a revision of the figure for 1982 on which the original projection was based (Table 6).

Table 4. Ecuador: Central Bank Operations 1/

(In billions of sucres)

	1982 Dec. 31	1983			Rev. Proj. Dec. 31
		June 30	Aug. 31	Sept. 30	
<u>Net international reserves</u>	<u>9.4</u>	<u>7.3</u>	<u>4.1</u>	<u>4.9</u>	<u>4.9</u>
<u>Net domestic assets</u>	<u>12.1</u>	<u>15.0</u>	<u>18.4</u>	<u>18.5</u>	<u>20.8</u>
Net credit to public sector	-16.9	-15.7	-20.1	-20.4	-6.4
Net credit to banks	16.5	19.6	26.8	31.4	24.0
Net credit to private sector	5.4	6.2	7.3	8.1	2.8
Arrears	-3.6	-8.0	-12.3	-15.5	--
Other	10.7	12.9	16.7	14.8	0.4
<u>Currency issue</u>	<u>21.5</u>	<u>22.3</u>	<u>22.5</u>	<u>23.4</u>	<u>25.7</u>
<u>Memorandum issue</u>					
Currency in circulation	20.0	20.8	...	...	24.0

Sources: Central Bank of Ecuador; and Fund staff estimates.

1/ Foreign exchange accounts valued at S/. 45 per U.S. dollar.

Table 5. Ecuador Banking System Operations 1/

(In billions of sucres)

	December 31, 1982			June 30, 1983			Dec. 31, 1983 (Rev. Proj.)		
	Central Bank	Other Banks	Total	Central Bank	Other Banks	Total	Central Bank	Other Banks	Total
Net international reserves	9.4	--	9.4	7.3	--	7.3	4.9	--	4.9
Other foreign assets	--	-2.4	-2.4	--	-6.4	-6.4	--	-6.0	-6.0
Domestic credit	6.4	107.5	113.9	10.9	127.1	138.0	25.1	131.6	156.7
Public sector (net)	-16.9	-2.3	-19.2	-15.7	-2.9	-18.6	-6.4	-1.8	-8.2
Private sector	15.9	90.7	106.6	16.8	106.9	123.7	15.5	109.4	124.9
Unclassified assets (net) 2/	7.4	19.1	26.5	9.8	23.1	32.9	16.0	24.0	40.0
Interbank transactions	14.5	-12.0	2.5	17.6	-11.2	6.4	21.7	-15.3	6.4
Credit	28.3	-27.0	1.3	31.6	-30.0	1.6	38.0	-36.4	1.6
Deposits	-13.4	14.6	1.2	-13.5	18.3	4.8	-15.7	20.5	4.8
Other	-0.4	0.4	--	-0.5	0.5	--	-0.6	0.6	--
Intersystem transactions	5.4	--	5.4	5.2	--	5.2	6.0	--	6.0
Credits	7.2	--	7.2	9.0	--	9.0	...	--	...
Deposits	-1.8	--	-1.8	-3.8	--	-3.8	...	--	...
Allocations of SDRs	1.6	--	1.6	1.6	--	1.6	1.6	--	1.6
Medium- and long-term foreign loans	--	2.1	2.1	--	2.0	2.0	19.4 3/	2.0	21.4
Liabilities to private sector	30.5	87.6	118.1	31.4	93.4	124.8	36.7	108.3	145.0
Currency in circulation	20.0	--	20.0	20.8	--	20.8	24.0	--	24.0
Sight deposits	0.6	39.5	40.1	0.7	41.9	42.6	0.8	48.6	49.4
Time and savings deposits	--	11.9	11.9	--	14.3	14.3	--	17.3	17.3
Advance import deposits	6.0	--	6.0	5.4	--	5.4	6.0	--	6.0
Other liabilities in sucres	3.7	24.5	28.2	3.8	25.0	28.8	5.0	28.8	33.8
Liabilities in foreign currency	0.2	1.7	1.9	0.7	1.4	2.1	0.9	1.6	2.5
Capital and reserves	--	10.0	10.0	--	10.8	10.8	--	12.0	12.0
Arrears	3.6	3.4	7.0	8.0	14.1	22.1	--	--	--

Sources: Central Bank of Ecuador; and Fund staff estimates.

1/ Foreign exchange accounts are valued at S/. 45 per U.S. dollar.

2/ Including valuation adjustments.

3/ The equivalent of US\$431 million of a new loan from foreign commercial banks.

Table 6. Ecuador: Balance of Payments, 1981-83

(In millions of U.S. dollars)

	1981	1982	1983 Proj.	
			SBA	Rev.
<u>Goods, services, and transfers</u>	-1,002	-1,195	-339	-504
Exports, f.o.b.	2,544	2,343	2,336	2,296
Imports, f.o.b.	-2,362	-2,181	-1,625	-1,545
Freight payments	-220	-164	-146	-152
Interest payments	-670	-767	-845	-757
Other services, credit	456	391	419	323
Other services, debit	-776	-837	-498	-684
Transfers	25	20	20	15
<u>Capital movements 1/</u>	699	524	239	615
Public sector	608	660	342	733
Drawings on loans	(1,522)	(883)	(479)	(855)
Amortizations	(-598)	(-700)	(-137)	(-119)
Oil credits	(-316)	(477)	(--)	(-3)
Private capital	91	-136	-28	-118
Direct investment	(60)	(40)	(60)	(50)
Drawings on loans	(1,246)	(806)	(--)	(12)
Amortizations	(-915)	(-630)	(-140)	(-117)
Import credits	(-300)	(-160)	(-99)	(-40)
Other 2/		(-192)	(151)	(-23)
<u>Arrears</u>	--	211	-75	-211
<u>SDR allocation</u>	9	--	--	--
<u>Net international reserves</u>				
(increase -)	294	460	100	100
<u>Memorandum items</u>				
Renegotiation of public sector debt	--	145	1,332	1,250 3/
Renegotiation of private sector debt	--	536	1,257	1,137 4/

Sources: Central Bank of Ecuador; and Fund staff estimates.

1/ Accounts carried on cash basis with debt refinancing shown as a reduction in amortization payments.

2/ Including errors and omissions.

3/ Including US\$309 million in oil advances and US\$86 million Paris Club rescheduling (US\$53 million principal and US\$33 interest).

4/ Including a rollover of the refinancing in 1982.

There had been an accumulation of external payments arrears during the first half of this year and the authorities explained that these arrears had been caused by a shortfall of capital inflows. The shortfall was due both to a delay in completing negotiations for the new medium-term loan (of US\$431 million) from foreign commercial banks and to a sharp reduction in trade credit. External payments arrears rose by US\$430 million in the first semester of the year to reach US\$641 million as of the end of June 1983. Since then, the authorities have been reducing arrears, and on September 30, 1983 their level was US\$565 million.

The authorities have confirmed their intention to completely eliminate arrears as soon as possible. However, their ability to reduce arrears will depend to a large extent on the timing of disbursements under the new loan of US\$431 million from foreign commercial banks. Drawings under this loan, which was signed on October 12, 1983, are scheduled to take place in three tranches: 50 percent around the end of October, 25 percent about seven days later, and the remaining 25 percent after Ecuador makes its third purchase under the current stand-by arrangement, which will follow the completion of this review. The Ecuadoran authorities intend to reduce payments arrears to a level of US\$250 million by the time the Executive Board meets to review Ecuador's performance under the stand-by arrangement, and to continue reducing arrears, thereafter, until they are eliminated. The authorities recognize that no purchase can be made under the arrangement after November 30, 1983 unless all arrears have been eliminated.

An important element of the program was the adjustment of the official exchange rate in March 1983 and the establishment at that time of a system for periodic exchange rate adjustments. The program assumed an acceleration in the rate of depreciation of the sucre in the official market beginning in May 1983. It was expected that this action, together with some appreciation of the sucre in the free market, would result in a reduction of the spread between the official and free market exchange rates. The authorities did accelerate the rate of currency depreciation from S/. 0.04 per U.S. dollar per working day to S/. 0.05 per U.S. dollar every day (seven days a week) beginning in June 1983 and, at the same time, they transferred 30 percent of foreign exchange proceeds from nontraditional exports and an equivalent value of imports to the free market. However, the sucre failed to appreciate in the free market, apparently because of the above mentioned shortfall in capital inflows and uncertainties concerning the renegotiation of Ecuador's external debt. In fact, the sucre depreciated in the free market from an average of S/. 83 per U.S. dollar (buying) in May 1983 to S/. 94 per U.S. dollar in August before moving to S/. 87 per U.S. dollar at the end of September 1983. Meanwhile, in the official market, the sucre was adjusted from an average of S/. 43 per U.S. dollar in May 1983 to S/. 49.50 per U.S. dollar as of September 30, 1983.

In the light of the above developments and in view of the fact that the inflation rate was higher than had been projected initially, the adequacy of the rate of depreciation of the sucre in the official

market was reviewed with the authorities. The authorities argued against an acceleration in the rate of depreciation of the currency at this time. They believed that pressures in the free market would ease off as soon as drawings began to be made against the new loan from the foreign commercial banks and external payments arrears start to be substantially reduced. They also noted that despite the higher rate of inflation, current exchange rate policy would result in a depreciation of the sucre in the official market of almost 65 percent and in a small gain in competitiveness during 1983, once account was taken of both inflation abroad and the transfer of transactions to the free market. In addition, in a move to further strengthen export competitiveness, effective October 18, 1983, the authorities shifted from the official market to the free market an additional amount of transactions, both on the export and import side, equivalent to 10 percent of the exchange proceeds from nonpetroleum traditional exports.

With regard to foreign debt operations, the authorities noted that final agreement had been reached with foreign commercial banks on the rescheduling of US\$1 billion of principal payments falling due in the period November 1982-December 1983, the arrangement of the new medium-term loan of US\$431 million to the Central Bank, and the re-establishment of lines of trade credit in the amount of US\$750 million (corresponding to the level of credit lines outstanding as of April 1983). These agreements with the banks were signed on October 12, 1983. As for the private debt rescheduled by the foreign commercial banks, the Central Bank has established a procedure by which the private sector will deposit in the Central Bank, in accordance with the original maturities, the amount of the debt service in sucres converted at the exchange rate of the moment. In addition, the Central Bank will support those domestic banks that extend credit for the servicing of the private sector debt through special rediscount operations, with terms ranging from 18 to 54 months. The Central Bank will assume the debt as it is being serviced in sucres by the private sector and it will charge a commission to cover exchange risks. The commission intended to cover exchange risk will range from S/. 20 per U.S. dollar to S/. 82 per U.S. dollar depending on whether or not the servicing of the original debt obligation was entitled to foreign exchange at the official rate and on the terms at which the Central Bank rediscount is granted.

The staff expressed concern about the exchange losses that the Central Bank may incur as a result of these operations relating to the private debt, despite the establishment of fixed commissions to cover the possibility of exchange risk. The authorities acknowledged the possibility that the Central Bank would suffer losses from the assumption of private sector debt, and indicated that they would continue to look for ways to compensate for such losses were they to occur.

At the end of July 1983, Ecuador concluded a general rescheduling agreement with its bilateral official creditors under the aegis of the Paris Club. Relief was obtained for about US\$155 million of principal

and interest payments on public sector debt falling due in the 12-month period ending May 31, 1984.^{1/} The authorities are initiating specific discussions with the various creditors with a view to concluding the relevant bilateral agreements.

As a result of the rescheduling of public external debt that has been completed, the burden of servicing the debt was reduced in 1983. The public sector debt service ratio will be about 26 percent this year, whereas in the absence of the debt rescheduling it would have exceeded 60 percent (Table 7). The debt service ratio is projected to average about 45 percent during the next four years. The authorities indicated that they intend to seek the rescheduling of principal payments to foreign commercial banks falling due in 1984.

In a letter dated October 25, 1983 the authorities describe the factors behind their request for a technical adjustment in the limit on public sector external debt and a redefinition of the international reserves of the Central Bank subject to testing. First, the estimate of external payments arrears as of December 31, 1982 was revised upward from US\$75 million to the US\$211 million figure mentioned earlier. The elimination of all external payments arrears, as called for by the program, has been made possible by the availability of financing under the new loan of US\$431 million to the public sector from the foreign commercial banks. Second, an amount of US\$151 million that was to have been lent by foreign commercial banks directly to the private sector will now, under the agreement of the new loan for US\$431 million, be channeled through the Central Bank. Third, the figure for public sector external debt with maturities up to 12 years outstanding as of December 1982 has been revised downward. Given these changes, and in order to maintain the program consistent with the original target for net international reserves and the elimination of all external payments arrears, the authorities have requested that the limit on public sector external debt be increased from US\$4,400 million to US\$4,620 million, and that it be adjusted to include medium- and long-term external debt of the Central Bank. The authorities also requested that the net international reserve target of the Central Bank be redefined to include only short-term foreign liabilities (up to one year maturity) rather than all foreign liabilities with maturities up to 12 years. The figure for public sector debt of up to one year outstanding as of December 1982 has been raised by US\$75 million to take account of revised data. Accordingly, the authorities also have requested that the limit on public sector external debt of less than one year be increased from US\$950 million to US\$1,025 million, to maintain the volume of financing during the year as had been contemplated in the program.

^{1/} For a detailed description of the rescheduling agreement see SM/83/201.

Table 7. Ecuador: Public Sector External Debt Service Projections

	1980	1981	1982	1983	1984	Projected		1986	1987
						1985			
(In millions of U.S. dollars)									
Public sector debt outstanding (end of period) 1/	3,530	4,422	4,559 2/	5,327	5,627	5,927	6,227	6,527	
Public sector debt service 3/	731	1,057	1,409	1,630	1,221	1,524	1,519	1,627	
Principal paid	417	598	700	119	589 4/	864 4/	814 4/	844 4/	
Principal renegotiated	--	--	145	908	42	--	--	--	
Interest paid	314	459	564	570	562	660	705	783	
Interest renegotiated 5/	--	--	--	33	27	--	--	--	
(In percent)									
Memorandum items									
Ratio of public sector debt to GDP	30	32	33	41	40	39	38	36	
Debt service ratio 6/									
Before 1983 renegotiation of debt	25	35	52	62	42	...	...	...
After 1983 renegotiation of debt	--	--	46	26	40	50	48	48	

Sources: Central Bank of Ecuador; and Fund staff estimates.

- 1/ Assumes a net public sector capital inflow of US\$300 million per year after 1983.
 2/ Excludes debt arising from oil advances.
 3/ Including service on short-term debt.
 4/ Includes amortization of renegotiated debts.
 5/ Paris Club rescheduling of interest payments.
 6/ As percent of exports of goods and services.

No change has been introduced recently in the system of import restrictions. The authorities confirmed their intention to remove those restrictions by the end of the program period, as indicated in paragraph 11 of the letter of intent of March 24, 1983, but they have not yet formulated concrete plans for their elimination and believe that it is still too early to begin dismantling such restrictions.

IV. Staff Appraisal

In recent years Ecuador's economic performance has weakened considerably. Economic growth has slowed, inflation has accelerated, and the balance of payments shifted into deficit. These developments resulted from the combination of external factors, inappropriate demand management policies, and an inadequate exchange rate policy which resulted in an overvaluation of the sucre. Beginning in 1982, the Ecuadoran Government started to adopt adjustment measures in an effort to arrest the economic and financial deterioration. Early in 1983, the Government embarked on a wide-ranging stabilization program which was supported by the one-year stand-by arrangement approved by the Executive Board on June 1, 1983 and which became effective on July 25, 1983, following agreement between Ecuador and a group of foreign commercial banks on a financing package.

The government's stabilization program included measures to increase substantially public sector revenues and to control the growth of expenditure, with the aim of reducing the public sector deficit from 7 percent of GDP in 1982 to about 4 percent of GDP in 1983. In addition, the program assumed the pursuit of more flexible and realistic exchange rate and interest rate policies. The exchange rate was adjusted from S/. 33 per U.S. dollar to S/. 42 per U.S. dollar in March 1983, and a crawling peg system was established with the aim of reducing significantly the spread between the official and the free exchange rates by the end of the program period. The authorities also transferred 30 percent of nontraditional exports and an equivalent amount of imports from the official to the free market. Interest rates were raised in March 1983 and the authorities expressed their intention to continue adjusting interest rates in order to move toward positive real interest rates in the domestic financial market and to reflect developments in world capital markets.

Ecuador has complied with all quantitative performance criteria under the stand-by arrangement, but external payments arrears have risen rather than declined as planned and no significant progress has been made in narrowing the spread between the official and free market exchange rates.

The authorities have reaffirmed their commitment to the ceilings and targets of the program and to the elimination of external payments arrears. However, their ability to reduce arrears will depend to a large extent on the timing of disbursements under a new medium-term

loan for US\$431 million from foreign commercial banks. Based on the prospective disbursements of this loan, the authorities indicated their intention to reduce the level of arrears from an estimated US\$565 million as of September 30, 1983 to US\$250 million by the time the Executive Board meets to discuss Ecuador's review under the stand-by arrangement, and to continue reducing arrears, thereafter, until they are completely eliminated. The staff would urge the authorities to make every effort to eliminate external payments arrears as soon as possible.

Notwithstanding the lack of progress in reducing the spread between the official and free market exchange rates, the view of the authorities is that the present rate of depreciation in the official market is adequate since it is expected to result in a small gain of competitiveness during 1983. Furthermore, they believe that pressures in the free market will subside once they begin paying off external arrears in a substantial amount. In a move to strengthen export competitiveness, however, the authorities transferred additional transactions from the official to the free market, both on the export and import side, in an amount equivalent to 10 percent of nonpetroleum traditional exports. The staff welcomes this measure but believes that the authorities should be prepared to make further transfers to the free market to accelerate the pace of depreciation of the currency in the official exchange market in light of developments both in inflation and in the free market rate.

In the fiscal area the authorities are confident that the overall public sector deficit will be kept within the amount targeted. The staff notes the authorities' intention of continuing to pursue a fiscal policy consistent with the program. The staff also wishes to stress the importance of limiting expenditure in line with the availability of financing, and with the need to contain inflation and pressures on the balance of payments.

The authorities recently raised domestic interest rates with a view to stimulating the growth of domestic financial savings. The staff supports this action and considers it a step in the right direction. However, the staff would emphasize the need to review interest rates periodically until positive real rates are established. In this regard, it will be important to assure growth in real domestic financial savings.

The staff welcomes the recent signing of the agreement on debt rescheduling with foreign commercial banks, as well as the agreement reached last July under the aegis of the Paris Club regarding debt owed to official bilateral creditors. The staff is concerned, however, about the exchange losses that the Central Bank may suffer from the assumption of private debt, notwithstanding the establishment of a commission by the Central Bank to cover exchange risks. Any such losses, should they materialize, would make the pursuit of a sound monetary policy more difficult. Therefore, the staff would urge the authorities to explore the means for offsetting the effects of possible exchange losses.

The authorities have requested modification of the limit on central bank net credit to the public sector and of the limits on public sector external debt, and a redefinition of the net international reserves of the Central Bank. The view of the staff is that the changes being requested are essentially technical and do not affect the adjustment effort envisaged in the program.

The authorities have reaffirmed their intention to remove existing import restrictions by the end of the program period. However, no progress has been made in this area and the authorities have not yet formulated any concrete plan for the elimination of restrictions. The staff considers it very important to begin dismantling restrictions as soon as possible, to minimize distortions in the allocation of resources.

V. Proposed Decision

1. In a letter dated October 25, 1983 Ecuador has requested that the review pursuant to paragraph 4(d) of the stand-by arrangement and paragraph 15 of the letter of March 24, 1983 be completed on the basis of Ecuador's performance thus far under the program and that a further review be completed not later than December 31, 1983 in order to reach an understanding with the Fund regarding the circumstances in which purchases can be made during the period of the stand-by arrangement falling in 1984.

2. The Government of Ecuador has proposed an adjustment to the limit on public sector net domestic indebtedness to the Central Bank in Table 1, to the limits on the outstanding external debt of the public sector in Table 4, and to the definition of the Central Bank's net international reserves in Table 3 attached to the letter dated March 24, 1983 requesting the stand-by arrangement.

3. The Fund does not object to these proposals of the Government of Ecuador. Accordingly, the letter dated October 25, 1983 from the Minister of Finance and the General Manager of the Central Bank shall be annexed to the stand-by arrangement for Ecuador and the letter of March 24, 1983 annexed to the stand-by arrangement shall be read as modified and supplemented by the letter of October 25, 1983, and

(a) Tables 1, 3, and 4 attached to the letter of October 25, 1983 shall replace Tables 1, 3, and 4 attached to the letter from the Government of Ecuador dated March 24, 1983, and

(b) paragraph 4 (a)(i) of the stand-by arrangement for Ecuador, attached to EBS/83/91, Supplement 3, shall be modified by substituting "... Table 1 in the letter attached to EBS/83/230..." for "... Table 1 annexed to the attached letter ...", and

(c) paragraph 4(b) of the stand-by arrangement for Ecuador, attached to EBS/83/91, supplement 3, shall be modified by substituting "... Table 4 in the letter attached to EBS/83/230..." for "... Table 4 annexed to the attached letter ...".

4. The review is completed accordingly and no further understandings are necessary at this stage.

ATTACHMENT

Quito, Ecuador
October 25, 1983

Mr. Jacques de Larosiere
Managing Director
International Monetary Fund
700 19th Street, N.W.
Washington, D.C. 20431

Dear Mr. de Larosiere:

In accordance with our letter of March 24, 1983, the Fund staff that recently visited Ecuador reviewed with us progress made this far in the implementation of the program under the stand-by arrangement. It was, however, not possible under this review to define policy targets and ceilings for the period of the program falling in 1984, because our budgeting process was in the initial stages and we were still in the process of defining our policies for 1984.

Accordingly, we would like to request that the mid-term review envisaged in paragraph 15 of our letter of March 24, 1983 be completed by the Executive Board on the basis of Ecuador's performance thus far under the program, and that another mission visit Quito later this year for the purpose of reaching understanding with the Fund, no later than December 31, 1983, regarding the circumstances in which purchases can be made during the period of the current stand-by arrangement falling in 1984.

We have recently completed a negotiation of most of Ecuador's external commercial debt and have contracted a new loan of US\$431 million from the foreign commercial banks. The new loan is to be channeled through the Central Bank and includes disbursements which initially were assumed to be channeled directly to the public and private sectors. A portion of the new loan will be used to eliminate a higher than estimated level of external payments arrears. Furthermore, there has been a revision of the figures for public sector external debt outstanding as of December 31, 1982. As a result of these developments, we are requesting (1) that the net international reserves of the Central Bank be defined to include the obligations to the Fund plus other foreign liabilities with maturities up to one year rather than all such liabilities with maturities up to twelve years; (2) that the limit on public external debt be broadened to include debt of the Central Bank with maturities of over one and up to twelve years; (3) that this limit be increased from US\$4,400 million to US\$4,620 million; (4) that the limit on public sector external borrowing with maturities up to one year be increased from US\$950 million to US\$1,025 million; and (5) that the limit on net indebtedness of the nonfinancial public sector to the

ATTACHMENT

Central Bank be changed from negative S/. 10.5 billion to negative S/. 6.0 billion in the period October 1, 1983-December 31, 1983. These modifications will maintain unchanged Ecuador's adjustment effort under the stand-by arrangement.

Sincerely yours,

Abelardo Pachano B.
General Manager
Central Bank of Ecuador

Pedro Pinto R.
Minister of Finance

Attachments

Table 1. Ecuador: Limits on the Net Domestic Indebtedness
of the Nonfinancial Public Sector 1/

(In billions of sucres)

Time Period	Limits
Up to June 30, 1983	-16.5
July 1, 1983-September 30, 1983	-13.5
October 1, 1983-December 31, 1983	-6.0

1/ For purposes of this limit, the net domestic indebtedness of the nonfinancial public sector is defined as the net claims of the Central Bank on the nonfinancial public sector. All accounts denominated in foreign exchange will be converted at the accounting rate of S/. 45 per U.S. dollar.

Table 3. Ecuador: Targets on Net International Reserves
of the Central Bank 1/

(In millions of U.S. dollars)

Dates	Targets
June 30, 1983	104
September 30, 1983	84
December 31, 1983	110

1/ Defined as the difference between the foreign assets of the Central Bank of Ecuador and its external liabilities of up to one year, including obligations to the Fund. For the purpose of this ceiling, the net international reserves exclude the deposits of international monetary organizations in the Central Bank of Ecuador, the allocations of SDRs, all foreign loans with a final maturity of more than one year, but will include all net foreign borrowing by the public sector in excess of the limits indicated in Table 4. The gold holdings of the Central Bank will be valued at US\$300 per ounce; and the holdings of SDRs will be converted at the rate of US\$1.09 per SDR.

ATTACHMENT

Table 4. Ecuador: Limits on the Outstanding External Debt of the Public Sector or Guaranteed by the Public Sector with Original Maturity of Up to and Including 12 Years 1/2/3/

(In millions of U.S. dollars)

Maturity Ranges	Up to December 31, 1983
Up to and including one year	1,025
Up to and including 12 years	4,620

1/ These ceilings will be lowered for any reduction in external debt via shifts in maturity structure occasioned by the renegotiation of external debts.

2/ Ceilings will not be affected by the refinancing of private sector debt outstanding.

3/ Excludes external debt of up to one year of the Central Bank of Ecuador, with exception that the ceiling includes external debt arising from oil advances.

Fund Relations with Ecuador

Status: Article VIII.

Quota: SDR 105 million.

Fund holdings of sucres:	<u>As of October 7, 1983</u>	<u>Millions of SDRs</u>	<u>Per Cent of Quota</u>
Total		183.78	175.03

SDR Department:	<u>As of October 7, 1983</u>	<u>Millions of SDRs</u>	<u>Per Cent of Net Cumulative Allocation</u>
Cumulative allocation		32.93	100.00
Of which: holdings		(0.12)	(0.36)

Gold distribution: Ecuador has received a total of 28,241.989 troy ounces of fine gold in four distributions.

Direct distribution of profits from gold sales: Ecuador has received a total of US\$5.24 million in the two periods.

Exchange rate: Official rate (October 1, 1983): S/. 50.00 per U.S. dollar buying rate and S/. 51.00 per U.S. dollar selling rate. The sucre in the official market is being depreciated by S/. 0.05 per U.S. dollar per day. Ecuador also has a free exchange market in which quotations fluctuate daily. On September 16, 1983, the buying and selling rates in this market were S/. 89.22 and S/. 91.00 per U.S. dollar, respectively.

Last consultation and recent contacts: Consideration of the 1982 Article IV consultation and Ecuador's request for a stand-by arrangement, were completed by the Executive Board on June 1, 1983 (SM/82/198 and EBS/83/91). An expert from the Fiscal Affairs Department is assigned to Quito to assist in implementing a public sector accounting system and an expert from the Central Banking Department is assigned to Quito to advise the Central Bank of Ecuador on the implementation of Ecuador's financial program.

Ecuador: Selected Economic and Financial Indicators, 1980-83

	1980	1981	Prel. 1982	SBA 1983	Rev. Proj. 1983
<i>(Annual percent changes, unless otherwise specified)</i>					
National income and prices					
GDP at constant prices	4.9	4.5	1.4	--	-1.4
GDP deflator	19.5	13.1	16.2	31.0	46.6
Consumer prices (average)	12.8	14.7	16.3	35.0	50.1
External sector (on the basis of U.S. dollars)					
Exports, f.o.b.	18.3	--	-7.9	--	-2.0
Petroleum exports	34.6	9.0	-11.7	-3.4	8.3
Imports, f.o.b.	6.9	5.3	-7.7	-25.5	-29.2
Export volume	-11.7	3.5	3.3	15.0	10.4
Import volume	-6.4	3.0	-8.0	-26.9	-27.7
Terms of trade (deterioration -)	17.3	-5.6	-11.2	-14.6	-9.5
Nominal effective exchange rate (depreciation -)	1.2	7.2	-10.1	-32.8	-30.7
Real effective exchange rate (depreciation -)	0.8	12.4	-4.0	-14.3	-3.3
Central government budget					
Revenue	41.6	4.1	22.3	...	...
Total expenditure	33.8	31.4	27.3	...	...
Money and credit					
Domestic credit ^{1/2/}	14.2	18.4	49.2	24.8	34.2
Public sector ^{2/}	(-3.8)	(-7.0)	(9.0)	(5.0)	(8.8)
Private sector	(19.6)	(22.9)	(23.2)	(14.6)	(14.6)
Money and quasi-money (M2)	26.5	11.2	21.0	23.5	26.0
Velocity (GDP relative to M2)	5.5	5.8	5.7	5.8	6.5
Interest rate (maximum on 1-6 months savings deposits)	6.0	8.0	12.0	15.0	18.0
<i>(In percent of GDP)</i>					
Overall public sector deficit	-4.9	-5.8	-6.7	-4.2	-3.5
Central government savings	1.5	-0.6	-0.7	...	...
Central government budget deficit (-)	-1.1	-4.8	-4.1	...	...
Domestic financing	(0.8)	(2.5)	(1.7)	(...)	(...)
Foreign financing	(0.3)	(2.3)	(2.4)	(...)	(...)
Gross domestic investment	27.9	25.5	24.6	16.0	16.5
Gross domestic savings	22.2	17.3	14.1	12.1	11.5
Current account deficit	-5.7	-8.2	-10.5	-3.9	-5.0
External debt ^{3/}					
Inclusive of use of Fund credit (end of year)	30.1	31.9	33.5	45.4	40.6
Debt service ^{3/}	6.2	7.6	9.3	6.7	5.2
Interest payments ^{3/} (in per cent of exports of goods and services)	10.6	15.3	20.6	21.1	21.8
<i>(In millions of SDRs, unless otherwise specified)</i>					
Overall balance of payments	174	-249	-417	-91	-92
Gross official reserves (months of imports of the following year) ^{4/}	6.0	4.3	3.4	4.1	3.4
External payments arrears	--	--	191.0	--	--

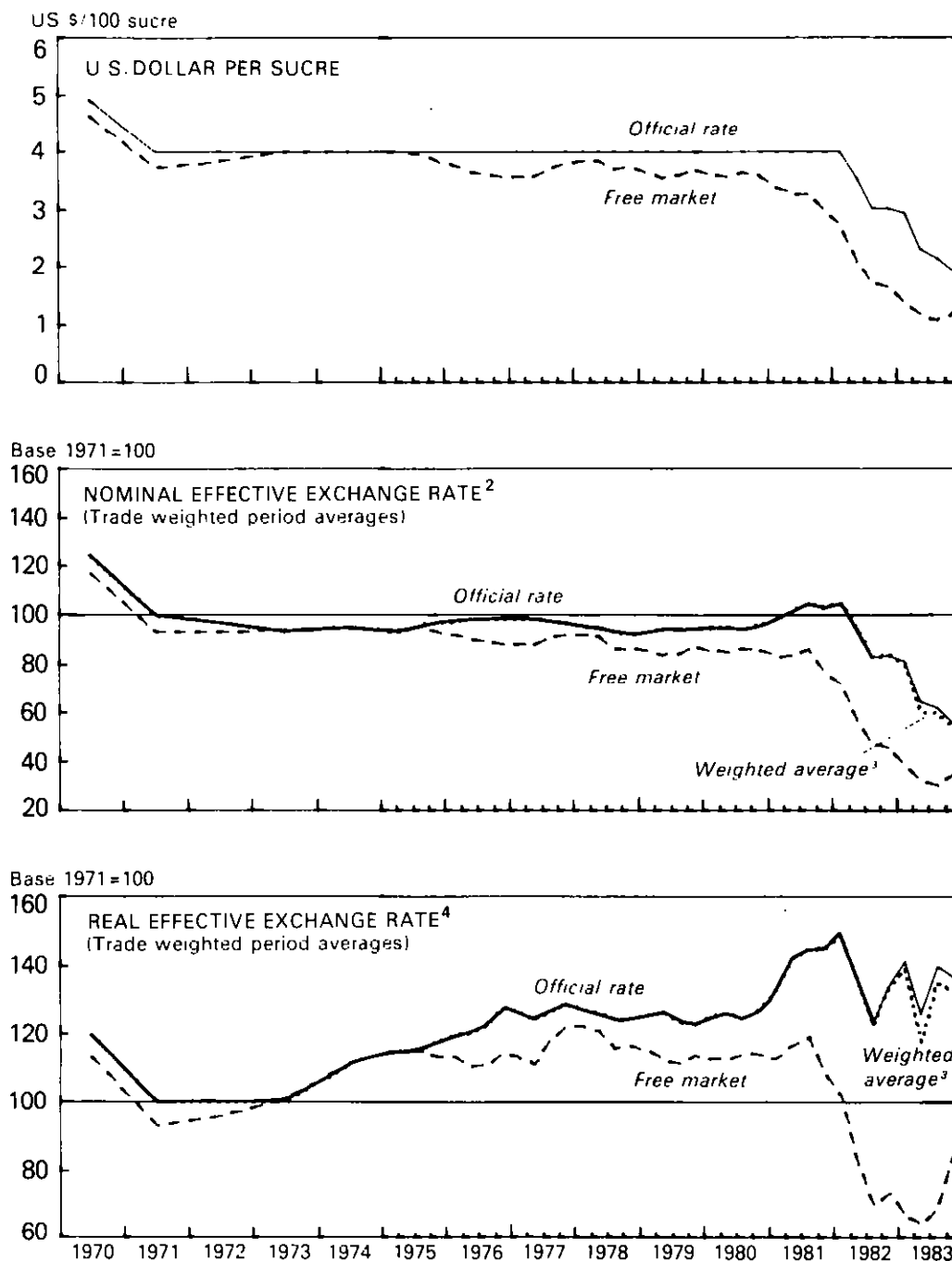
^{1/} In relation to liabilities to the private sector at the beginning of the period.

^{2/} Includes adjustment for gold revaluation in 1982.

^{3/} Public debt, including short term.

^{4/} Gold valued at US\$300 per troy ounce.

ECUADOR CHANGES IN THE VALUE OF THE ECUADORIAN SUCRE IN TERMS OF THE CURRENCY BASKET OF TRADING PARTNERS¹



Source: *International Financial Statistics*. The central bank of Ecuador and staff estimates.

¹Last 2 quarters projected

²Weighted average of indices of foreign currency unit per sucre. An appreciation of the sucre is shown by an upward movement

³An average of the official and free market rates, weighted by the distribution of merchandise trade between the two markets

⁴The nominal effective exchange rates adjusted by the ratio of foreign to domestic consumer price index



Table 8. Ecuador: Sectorial Origin of GDP

	1978	1979	1980	1981	1982
(In millions of sucres at 1975 prices)					
GDP at market prices	133,632	140,718	147,622	154,331	156,467
Agriculture and livestock	19,575	20,133	21,198	22,399	22,839
Petroleum and mining	15,605	16,448	15,070	15,780	15,172
Manufacturing	23,577	25,864	26,807	28,181	29,467
Electricity, gas, and water	915	1,014	1,115	1,242	1,385
Construction	6,903	6,853	6,906	7,005	6,954
Commerce	21,504	22,862	24,789	25,832	25,891
Transport and communications	8,616	9,314	10,038	10,517	11,030
Real estate	6,162	6,327	6,530	6,747	6,936
Public administration	11,926	12,577	13,709	14,203	14,552
Other	18,849	19,326	21,460	22,425	22,241
(In millions of sucres at current prices)					
GDP at market prices	191,345	233,963	293,337	346,977	408,880
Agriculture and livestock	28,499	31,657	35,570	39,329	45,410
Petroleum and mining	13,657	27,519	35,686	43,881	51,214
Manufacturing	36,334	44,902	51,799	60,118	70,406
Electricity, gas, and water	1,491	1,786	2,434	2,496	3,628
Construction	14,591	16,114	21,749	28,714	39,322
Commerce	29,415	34,508	42,751	48,932	57,236
Transport and communications	15,563	17,900	23,145	30,096	36,886
Real estate	9,671	11,157	13,990	16,584	19,008
Public administration	15,348	17,388	26,590	30,757	33,657
Other	26,776	31,032	39,623	46,070	52,113

Sources: Central Bank of Ecuador; and Fund staff estimates.

Table 9. Ecuador: Sectorial Origin of Real GDP

(Annual percentage changes)

	1979	1980	1981	1982	Proj. 1983
Real GDP	5.3	4.9	4.5	1.4	-1.4
Agriculture and livestock	2.9	5.3	5.7	2.0	-13.3
Petroleum and mining	5.4	-8.4	4.7	-3.9	7.3
Manufacturing	9.7	3.6	5.1	4.6	-1.2
Electricity, gas, and water	10.8	10.0	11.4	11.5	15.3
Construction	-0.7	0.8	1.4	-0.7	-7.3
Commerce	6.3	8.4	4.2	0.2	-1.0
Transport and communications	8.1	7.8	4.8	4.9	3.6
Real estate	2.7	3.2	3.3	2.8	3.8
Public administration	5.4	9.0	3.6	2.5	0.8
Other	2.5	11.0	4.5	-0.8	-0.5

Sources: Central Bank of Ecuador; and Fund staff estimates.

Table 10. Ecuador: Consumer Price Index

	Total	Food	Other	Total	Food	Other	Total	Food	Other
	(May 1978-Apr. 1979=100)			(Annual percentage change)			(Monthly percentage change)		
<u>1982</u>									
January	145.1	149.3	142.6	16.7	16.1	17.3	1.2	1.8	0.7
February	146.3	151.0	143.6	14.3	15.2	14.0	0.8	1.1	0.7
March	148.1	152.7	145.4	12.4	15.1	10.9	1.2	1.1	1.3
April	150.2	154.8	147.6	12.5	14.6	11.5	1.5	1.4	1.5
May	151.7	156.8	148.9	11.3	13.3	10.4	1.0	1.3	0.9
June	153.9	156.8	152.7	12.6	13.0	12.5	1.5	--	2.6
July	156.9	160.2	155.4	14.4	15.5	14.0	2.0	2.2	1.8
August	159.8	162.7	158.2	15.9	17.0	15.4	1.7	1.6	1.8
September	162.2	164.8	160.8	16.7	16.6	16.9	1.5	1.3	1.6
October	169.3	171.3	168.5	20.5	20.4	20.9	4.4	3.9	4.8
November	174.9	178.7	172.8	22.3	21.4	23.1	3.3	4.3	2.6
December	178.4	185.2	174.6	24.4	26.3	23.3	2.0	3.6	1.0
<u>1983</u>									
January	186.1	200.9	177.0	28.3	34.6	24.1	4.3	8.5	1.4
February	190.6	210.1	178.3	30.3	39.1	24.2	2.4	4.6	0.7
March	196.4	221.1	180.8	32.6	44.8	24.3	3.0	5.2	1.4
April	205.9	238.8	184.8	37.1	54.3	25.2	4.8	8.0	2.2
May	220.3	260.4	194.8	45.2	66.1	30.8	7.0	9.0	5.4
June	233.0	285.8	199.3	51.4	82.3	30.5	5.8	9.8	2.3
July	245.5	311.0	203.4	56.9	94.1	30.9	5.4	8.8	2.1
August	255.2	329.7	207.4	59.7	102.6	31.1	4.0	6.0	2.0
September	265.1	346.3	213.1	63.4	110.1	32.5	3.9	5.0	2.7

Source: Central Bank of Ecuador.

Table 11. Ecuador: Detailed Accounts of the Banking System

(in billions of sucres)

	US\$1 = S/. 25				US\$1 = S/. 33
	1978	1979	1980	1981	1982
I. Central bank					
Net international reserves	15.1	15.6	21.4	14.1	6.9
Foreign assets	17.2	19.0	27.1	17.0	15.1
Gold 1/	(0.4)	(0.4)	(0.4)	(0.4)	(4.1)
Foreign exchange	(13.2)	(14.2)	(20.6)	(10.6)	(5.5)
IMR reserve position 2/	(0.3)	(0.3)	(0.7)	(0.7)	(--)
SUKs 3/	(0.4)	(0.5)	(0.6)	(0.3)	(--)
Payments agreements	(1.5)	(2.2)	(2.7)	(1.9)	(3.3)
Other assets	(1.4)	(1.9)	(2.1)	(2.6)	(2.2)
Short-term liabilities	-2.1	-3.6	-5.7	-2.9	-8.2
Liabilities to IMF	(--)	(--)	(--)	(--)	(--)
Payments agreements	(-1.0)	(-1.5)	(-2.1)	(-2.0)	(-2.8)
Other liabilities	(-1.1)	(-2.1)	(-3.6)	(-0.9)	(-5.4)
Net domestic assets	11.8	16.7	18.0	26.4	44.8
Net claims on public sector	-5.5	-8.3	-10.2	-15.0	-13.5
Net Central Government 1/3/	(-1.6)	(0.1)	(-0.7)	(-3.0)	(-0.7)
Assets	12.9/	15.1/	15.0/	12.9/	15.0/
Consolidated debt	2.8	3.0	2.9	2.8	2.9
Coin issue bonds	0.1	0.1	0.1	0.1	0.1
Liabilities	(-4.5/)	(-3.0/)	(-3.7/)	(-5.9/)	(-5.7/)
Demand deposits	-2.2	-1.5	-2.9	-2.4	-2.3
Other sucre obligations	-2.3	-1.5	-0.5	-3.3	-1.2
Foreign currency obligations	--	--	-0.3	-0.2	-0.2
FONADE/BEDE	(-2.1)	(-2.8)	(-2.0)	(-2.3)	(-7.2)
Rest of public sector (net)	(-1.8)	(-5.0)	(-7.5)	(-9.7)	(-5.6)
Assets	10.8/	10.6/	10.7/	10.8/	10.9/
Loans	0.8	0.8	0.7	0.8	0.9
Bonds	--	--	--	--	--
Liabilities	(-2.6/)	(-0.4/)	(-8.2/)	(-10.5/)	(-0.5/)
Demand deposits	-1.4	-3.5	-3.4	-4.7	-3.0
Other sucre obligations	-0.4	-0.4	-1.8	-1.5	-1.9
Foreign currency deposits of public sector	-0.8	-2.5	-3.0	-4.3	-1.6
Credit to commercial banks	5.0	6.7	9.0	14.2	21.7
Credit to National Development Bank	3.1	4.0	4.8	6.2	6.7
Credit to other financial intermediaries	1.1	1.3	2.9	5.2	7.2
Credit to private sector	5.7	8.4	11.2	17.0	15.9
Net unclassified assets	2.4	4.0	0.4	-1.2	6.8
Counterpart SUK allocation	0.4	0.6	0.8	0.9	1.2
Liabilities to international development organizations	0.4	0.4	0.5	0.6	0.9
To IBRD	--	--	0.1	0.1	0.1
To IDA	0.3	0.4	0.4	0.5	0.8
To IDA	--	--	--	--	--
Liabilities to commercial banks	9.2	10.1	11.2	10.9	12.5
Currency holdings	0.6	0.7	0.9	0.9	1.1
Reserve deposits	7.5	6.1	9.2	6.3	9.7
Other sucre liabilities	0.2	0.6	0.3	0.5	0.6
Liabilities in foreign currency	0.5	0.5	0.4	0.6	0.6
Development bonds	0.2	--	0.1	0.2	0.1
Central Bank shares	0.2	0.2	0.3	0.4	0.4
Liabilities to National Development Bank	0.9	1.2	1.5	2.3	1.2
Currency holdings	0.3	0.2	0.4	0.5	0.5
Reserve deposits	0.5	0.8	1.1	1.8	0.7
Other sucre liabilities	--	0.1	--	--	--
Liabilities to other financial intermediaries	0.9	2.2	1.6	1.1	1.6
Demand deposits	0.9	2.2	1.8	1.1	1.8
Liabilities to private sector	15.1	17.9	23.5	24.7	34.1
Monetary liabilities	10.5	12.5	15.3	17.4	20.6
Currency in circulation	(10.0)	(12.1)	(14.9)	(16.9)	(20.0)
Demand deposits	(0.5)	(0.4)	(0.4)	(0.5)	(0.6)
Other liabilities	-6.6	-5.5	-8.2	-7.3	-13.5
Quasi-money	(--)	(--)	(--)	(--)	(--)
Import deposits	(2.1)	(2.6)	(3.1)	(4.7)	(6.0)
Stabilization bonds	(1.3)	(1.4)	(1.4)	(0.9)	(1.1)
Bankers' acceptances	(0.1)	(--)	(0.3)	(--)	(0.8)
Other sucre liabilities	(1.1)	(1.4)	(3.3)	(1.6)	(5.4)
Liabilities in foreign currency	(--)	(--)	(0.1)	(0.1)	(0.2)

Table 11. Ecuador: Detailed Accounts of the Banking System (Continued)

(In billions of sucres)

	US\$1 = S/. 25				US\$1 = S/. 33
	1978	1979	1980	1981	1982
II. Private Commercial Banks 3/					
Net international reserves	1.0	0.8	0.9	0.1	-3.4
Foreign assets	2.0	2.4	2.9	3.4	4.2
Short-term liabilities	-1.0	-1.6	-2.0	-3.3	-7.6
Monetary reserves and currency holdings	9.7	10.4	13.0	12.7	13.9
Cash	0.6	0.7	0.9	0.9	1.1
Reserve deposits in sucres	8.2	8.9	11.2	10.5	11.7
Reserve deposits in foreign currency	0.5	0.5	0.5	0.8	0.6
Development bonds	0.2	0.1	0.1	0.1	0.1
Central Bank shares	0.2	0.2	0.3	0.4	0.4
Net domestic assets	32.8	41.1	52.5	67.1	97.1
Net claims on public sector	0.6	0.7	0.7	0.8	1.1
Net Central Government 3/	(--)	(--)	(--)	(--)	(--)
Assets	/--/	/--/	/--/	/--/	/--/
Liabilities	/--/	/--/	/--/	/--/	/--/
Rest of public sector	(0.6)	(0.6)	(0.7)	(0.8)	(1.1)
Assets	/0.6/	/0.6/	/0.7/	/0.8/	/1.1/
Liabilities	/--/	/--/	/--/	/--/	/--/
Credit to private sector	27.0	33.8	42.7	54.1	75.7
Loans	(23.9)	(30.2)	(38.1)	(45.8)	(61.9)
Overdue loans	(2.9)	(3.3)	(4.2)	(7.3)	(12.6)
Miscellaneous securities	(0.2)	(0.2)	(0.5)	(1.0)	(1.2)
Net unclassified assets	5.2	6.6	9.1	12.2	20.3
Liabilities to monetary authorities	5.4	6.8	9.0	13.6	20.7
Liabilities to private sector	38.1	45.2	57.4	66.3	86.9
Monetary liabilities	18.4	21.6	28.3	31.4	38.2
Demand deposits	(18.4)	(21.6)	(28.3)	(31.4)	(38.2)
Other liabilities	19.9	23.7	29.1	34.9	48.7
Quasi-money	(5.7)	(6.8)	(7.8)	(8.6)	(10.9)
Mortgage bonds	(5.3)	(6.3)	(8.8)	(11.4)	(13.8)
Other sucre liabilities	(4.0)	(4.7)	(5.1)	(5.4)	(12.7)
Liabilities in foreign currency	(0.9)	(1.1)	(1.0)	(1.5)	(1.3)
Private capital and reserves	3.8	5.2	6.4	8.0	10.0
III. National Development Bank					
Net international reserves	--	--	--	--	--
Monetary reserves and currency holdings	1.0	1.0	1.4	2.1	1.0
Cash	0.3	0.2	0.4	0.5	0.5
Reserve deposits in sucres	0.7	0.8	1.0	1.6	0.5
Deposits with local banks	--	--	--	--	--
Net domestic assets	2.3	6.2	7.6	8.8	11.3
Net claims on public sector	-1.7	-1.8	-2.5	-3.7	-3.4
Net Central Government 3/	(--)	(--)	(--)	(--)	(--)
Assets	/--/	/--/	/--/	/--/	/--/
Liabilities	/--/	/--/	/--/	/--/	/--/
Rest of public sector	(-1.7)	(-1.8)	(-2.5)	(-3.7)	(-3.4)
Assets	/--/	/--/	/--/	/--/	/--/
Liabilities	/-1.7/	/-1.8/	/-2.5/	/-3.7/	/-3.4/
Credit to private sector	10.4	11.3	12.5	14.5	16.0
Loans	(7.8)	(8.9)	(10.3)	(12.0)	(13.0)
Overdue loans	(1.9)	(1.8)	(1.6)	(2.1)	(2.5)
Miscellaneous securities	(1.3)	(0.6)	(0.4)	(0.4)	(0.5)
Net unclassified assets	0.9	1.5	2.3	2.9	3.6
Official capital, reserves, and surplus	-4.8	-4.8	-4.7	-5.0	-4.9
Medium- and long-term liabilities	0.6	0.6	0.8	1.0	1.6
Liabilities to monetary authorities	3.0	4.0	4.9	5.7	6.2
Liabilities to commercial banks	0.5	0.3	0.6	0.7	0.8
Liabilities to private sector	2.1	2.3	2.7	3.5	3.7
Monetary liabilities	1.0	0.9	1.2	1.2	1.3
Demand deposits	(1.0)	(0.9)	(1.2)	(1.2)	(1.3)
Other liabilities	1.1	1.3	1.5	2.3	2.4
Quasi-money	(0.6)	(0.7)	(0.8)	(0.9)	(1.0)
Development bonds	(--)	(--)	(--)	(0.5)	(1.0)
Other sucre liabilities	(0.5)	(0.7)	(0.7)	(0.9)	(0.4)

Table 11. Ecuador: Detailed Accounts of the Banking System (Concluded)

(In billions of sucres)

	US\$1= S/. 25		US\$1=S/.33		
	1978	1979	1980	1981	1982
IV. Consolidated Banking System (I+II+III)4/					
Net international reserves	16.1	16.6	22.3	14.2	3.5
Foreign assets	19.2	22.0	30.0	20.4	19.3
Short-term liabilities	-3.1	-5.4	-7.7	-6.2	-15.8
Net domestic assets	41.6	52.9	65.3	83.9	126.7
Net claims on public sector	-6.6	-9.5	-12.0	-17.9	-15.8
Net Central Government 3/	(-1.6)	(0.1)	(-0.7)	(-3.0)	(-0.7)
Assets	/2.9/	/3.1/	/3.0/	/2.9/	/3.0/
Liabilities	/-4.5/	/-3.0/	/-3.7/	/-5.9/	/-3.7/
FONADE/BEDE	(-2.1)	(-2.8)	(-2.0)	(-2.3)	(-7.2)
Rest of public sector	(-2.9)	(-6.8)	(-9.3)	(-12.6)	(-7.9)
Assets	/1.4/	/1.4/	/1.4/	/1.6/	/2.0/
Liabilities	/-4.3/	/-8.2/	/-10.7/	/-14.2/	/-9.9/
Official capital, reserves, and surplus	-4.8	-4.8	-4.7	-5.0	-4.9
Credit to other financial intermediaries	1.1	1.3	2.9	5.2	7.2
Credit to private sector	43.6	53.5	66.4	85.6	107.6
Net unclassified assets	8.5	12.7	11.7	14.0	30.7
Net interbank float	-0.2	-0.3	1.0	2.0	1.9
Counterpart SDR allocation	0.4	0.6	0.8	0.9	1.2
Liabilities to international development organizations	0.4	0.4	0.5	0.6	0.9
Medium- and long-term foreign liabilities	0.6	0.6	0.8	1.0	1.6
Liabilities to other financial intermediaries	0.9	2.2	1.8	1.1	1.8
Liabilities to private sector	55.4	65.7	83.7	94.5	124.7
Money	29.9	35.0	44.8	50.0	60.1
Currency in circulation	(10.0)	(12.1)	(14.9)	(16.9)	(20.0)
Demand deposits	(19.9)	(22.9)	(29.9)	(33.1)	(40.1)
Other liabilities	21.7	25.5	32.5	36.5	54.6
Quasi-money	(6.3)	(7.3)	(8.7)	(9.5)	(11.9)
Import deposits	(2.1)	(2.6)	(3.1)	(4.7)	(6.0)
Stabilization bonds	(1.3)	(1.4)	(1.4)	(0.9)	(1.1)
Bankers acceptances	(0.1)	(--)	(0.3)	(--)	(0.8)
Mortgage and development bonds	(5.3)	(6.3)	(8.8)	(11.9)	(14.8)
Other sucre liabilities	(5.7)	(6.8)	(9.1)	(7.9)	(18.5)
Liabilities in foreign currency	(0.9)	(1.1)	(1.1)	(1.6)	(1.5)
Private capital and surplus	3.8	5.2	6.4	8.0	10.0

Sources: Central Bank of Ecuador; and Fund staff estimates.

1/ Includes adjustment (S/. 3.5 billion) due to changes in gold valuation in 1982.

2/ IMF valuation.

3/ Coverage of Central Government does not correspond to that used in the fiscal accounts.

4/ Includes cooperative banks after June 30, 1978.

Table 12. Ecuador: Balance of Payments, 1982-83

(In millions of U.S. dollars)

	1982				1983 (Projections)			
	Total	Official market	Free market	Self-financed transactions	Total	Official market	Free market	Self-financed transactions
<u>Goods, services, and transfers</u>	-1,195	-568	-349	-278	-504	6	-182	-328
Exports, f.o.b.	2,243	2,170	--	173	2,296	2,121	78	97
Imports, f.o.b.	-2,181	-1,730	--	-451	-1,545	-1,030	-90	-425
Freight payments	-164	-164	--	--	-152	-142	-10	--
Interest payments	-767	-596	-171	--	-757	-686	-71	--
Other services, credit	391	101	290	--	323	87	236	--
Other services, debit	-837	-349	-488	--	-684	-344	-340	--
Transfers	20	--	20	--	15	--	15	--
<u>Capital movements 1/</u>	524	148	98	278	615	251	36	328
Public sector	660	610	-11	61	733	405	--	328
Drawings on loans	(883)	(822)	(--)	(61)	(855)	(527)	(--)	(328)
Amortizations	(-700)	(-689)	(-11)	(--)	(-119)	(-119)	(--)	(--)
Oil credits	(477)	(477)	(--)	(--)	(-3)	(-3)	(--)	(--)
Private capital	-136	-462	109	217	-118	-154	36	--
Direct investment	(40)	(-3)	(43)	(--)	(50)	(17)	(33)	(--)
Drawings or loans	(806)	(211)	(595)	(--)	(12)	(2)	(10)	(--)
Amortizations	(-630)	(-149)	(-481)	(--)	(-117)	(-32)	(-85)	(--)
Import credits	(-160)	(-377)	(--)	(217)	(-40)	(-145)	(105)	(--)
Other 2/	(-192)	(-144)	(-48)	(--)	(-23)	(4)	(-27)	(--)
<u>Arrears</u>	211	211	--	--	-211	-211	--	--
<u>Intratransfers</u>	--	-251	251	--	--	-146	146	--
<u>Net international reserves (increase -)</u>	460	460	--	--	100	100	--	--
<u>Memorandum items</u>								
Renegotiation of public sector debt	145	145	--	--	1,250 3/	1,250 3/	--	--
Renegotiation of private sector debt	536	134	402	--	1,137 4/	332 4/	805 4/	--

Sources: Central Bank of Ecuador; and Fund staff estimates.

1/ Excluding debt refinancing.

2/ Including errors and omissions.

3/ Including US\$309 million oil advances and US\$86 million Paris Club rescheduling (US\$53 million principal and US\$33 million interest).

4/ Including rollover of the refinancing in 1982.

Table 13. Ecuador: Exports by Principal Products

(Value in millions of U.S. dollars; volume in thousands of metric tons;
unit value in U.S. dollars per metric ton, or as indicated)

	1978	1979	1980	1981	1982	Proj. 1983
<u>Total exports</u>	<u>1,529.2</u>	<u>2,150.2</u>	<u>2,544.2</u>	<u>2,544.2</u>	<u>2,343.4</u>	<u>2,295.9</u>
Crude petroleum						
Value	558.0	1,031.9	1,391.7	1,559.9	1,388.3	1,562.3
Volume (in millions of barrels)	44.8	44.8	39.6	45.5	42.7	56.4
Unit value (US\$/barrel)	12.5	23.0	35.2	34.3	32.5	27.7
Petroleum derivatives						
Value	91.2	145.4	192.7	166.5	136.4	88.6
Volume (in millions of barrels)	7.9	7.4	8.0	5.8	5.3	3.9
Unit value (US\$/barrel)	11.5	19.7	24.1	28.7	25.7	22.7
Bananas						
Value	172.7	203.4	237.1	207.9	213.3	160.0
Volume	1,363.0	1,356.0	1,347.0	1,229.5	1,261.3	1,000.0
Unit value	126.7	146.8	176.0	169.1	169.1	160.0
Coffee						
Value	281.2	263.8	132.2	105.9	138.5	143.0
Volume	103.1	82.0	54.0	56.0	73.9	75.0
Unit value	2,727.5	3,217.1	2,448.1	1,891.1	1,874.2	1,900.0
Cocoa, unprocessed						
Value	50.4	40.3	31.3	43.8	63.1	16.0
Volume	16.3	14.5	13.7	27.0	42.5	10.4
Unit value	3,092.0	2,779.3	2,284.7	1,622.2	1,484.7	1,538.0
Cocoa, processed						
Value	207.4	233.6	180.1	105.8	55.9	41.0
Volume	57.2	60.6	61.5	48.0	47.9	37.0
Unit value	3,625.8	3,854.8	2,928.5	2,204.2	1,167.0	1,100.0
Other						
Total value	168.3	231.8	377.1	354.4	347.9	285.0
Sugar and molasses	(7.7)	(16.0)	(48.0)	(17.1)	(--)	(--)
Fish and seafood	(89.5)	(106.0)	(130.1)	(182.2)	(210.8)	(210.0)
Electrical pro- ducts	(7.0)	(14.7)	(17.9)	(15.8)	(15.8)	(--)
Other	(64.1)	(95.1)	(181.1)	(139.3)	(121.3)	(75.0)

Sources: Central Bank of Ecuador; and Fund staff estimates.

STATISTICAL APPENDIX

Table 14. Ecuador: Transactions and Average Exchange Rates in Foreign Exchange Markets, 1982-83

(In millions of U.S. dollars and sucres per U.S. dollar)

	Official		Free Market			
	Volume	Rate 1/	Central Bank	Outside	Volume	Rate 2/
(Buying)						
1982	4,246.8	30.11	...	...	2,702.5	49.78
1983						
January	217.6	33.00	...	...	191.3	65.95
February	222.9	33.00	...	...	180.6	70.72
March	185.2	36.77	2.8	70.00	203.3	78.39
April	213.4	42.60	8.7	71.84	179.5	81.92
May	254.0	43.44	9.8	79.00	183.2	82.89
June	291.6	44.33	10.4	81.80	162.0	92.21
(Jan.-June)	(1,384.6)	(38.86)	(31.7)	(75.66)	(1,089.9)	(78.68)
July	...	45.69	8.4	89.42	...	96.24
August	...	47.25	9.1	89.58	...	93.57
September	...	48.78	...	...	...	...
(Selling)						
1982	4,574.0	30.41	...	...	2,661.4	49.81
1983						
January	280.3	33.30	...	...	173.0	66.53
February	174.8	33.30	...	...	177.3	70.81
March	248.2	37.51	2.9	70.70	186.3	77.58
April	227.7	43.45	9.3	72.55	172.2	81.70
May	215.2	44.31	9.4	79.80	182.2	82.89
June	314.2	45.22	10.1	82.61	159.1	92.53
(Jan.-June)	(1,460.6)	(39.52)	(31.7)	(76.41)	(1,050.1)	(78.67)
July	...	46.60	7.5	90.32	...	97.90
August	...	48.20	8.5	90.48	...	95.31
September	...	49.76	...	...	...	...

Sources: The Central Bank of Ecuador; and Fund staff estimates.

1/ Selling rates are calculated to be 2 percent above the buying rate since March 1983.

2/ National average up to June 1983; average for Quito and Guayaquil starting July 1983.